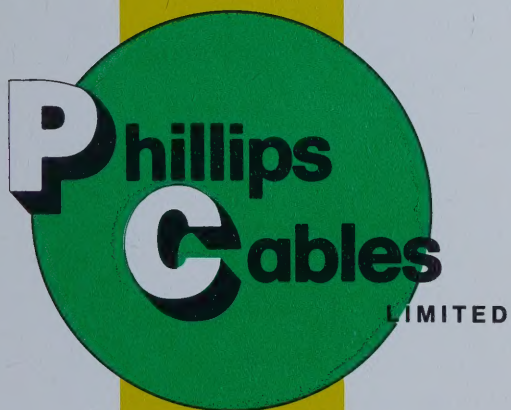


AR27



ANNUAL REPORT

1976

BOARD OF DIRECTORS

H. Campbell	Ottawa, Ont.	J. A. McCleery	London, England
G. Gingras	Montreal, Que.	J. L. Olsen	Brockville, Ont.
C. F. Jardim	Brockville, Ont.	J. Shearer	London, England
R. P. Jensen	Greenwich, Conn.	D. L. Torrey	Montreal, Que.
T. A. Lindsay	Brockville, Ont.	J. S. Waddington	Brockville, Ont.
D. B. McCaskill	Montreal, Que.	J. C. Walker	Bridgeport, Conn.

OFFICERS

Chairman	T. A. Lindsay
Vice-Chairman	J. A. McCleery
Vice-Chairman	H. Campbell
President & Chief Executive Officer	J. L. Olsen
Vice-President — Sales	C. F. Jardim
Vice-President — Finance	A. T. Poole
Vice-President — Construction Products	C. Prescott
Vice-President — Power Products	R. C. Salkeld
Vice-President — Communication Products	P. H. Wylie
Secretary	E. W. Reynolds
Treasurer	R. B. Wolton

BANKERS

Canadian Imperial Bank of Commerce
The Toronto-Dominion Bank
Banque Canadienne Nationale

TRANSFER AGENT & REGISTRAR

National Trust Company Ltd.
Toronto and Montreal

TRUSTEE FOR FIRST MORTGAGE SINKING FUND BONDS

Montreal Trust Company
Toronto, Ont.

AUDITORS

Thorne Riddell & Co.
Montreal, Que.

SOLICITORS

Borden & Elliot
Toronto, Ont.

PHILLIPS CABLES LIMITED

HEAD OFFICE
BROCKVILLE, ONTARIO

PHILLIPS CABLES LIMITED

August 11, 1976

TO THE SHAREHOLDERS:

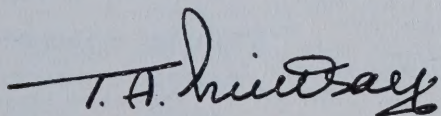
Sales for the first half of 1976 reflect a decrease of 2% compared with the same period last year. Two copper price increases became effective during the second quarter which raised the price to 69½¢ per pound from the 66¾¢ per pound level that prevailed during the first quarter.

Earnings from normal operations declined to 57¢ per share from 82¢ per share earned in the first half of 1975. Final earnings for the six months were 69¢ per share, reflecting a 12¢ per share gain resulting from the upward adjustment of copper prices.

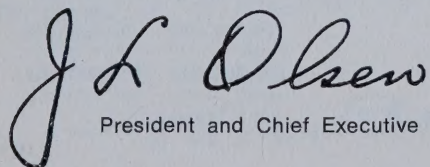
New investment in those areas of the economy which directly affect the Company's sales volume has been considerably below expectations and general economic recovery has been slower than anticipated. These conditions have created an environment which has prevented the Company from fully recovering higher costs through increased selling prices.

The Company's financial condition was further strengthened during the first half with working capital increasing by \$2-million to a record level of just under \$31-million. Long-term debt was further reduced during the half and currently represents less than 5% of total assets employed in the business. The strong financial position should enable the Company to meet the challenges of the future and to take advantage of new opportunities as they arise.

During May, amendments to the Anti-Inflation Program were announced by the Minister of Finance. The Company is very concerned that these amendments have gone too far in restricting business. It is felt that these additional restrictions will seriously discourage new business investment in Canada with a resulting reduction in new job opportunities.



Chairman



President and Chief Executive Officer

Printed in Canada

AR27



CanCorp

INTERIM REPORT TO SHAREHOLDERS

SIX MONTHS ENDED

JUNE 30, 1976

BOARD OF DIRECTORS

INTERIM STATEMENTS

(UNAUDITED AND SUBJECT TO YEAR-END ADJUSTMENTS)

STATEMENT OF EARNINGS

SIX MONTHS ENDED JUNE 30	1976	1975
Sales	\$59,876,000	\$61,199,000
Earnings before Income Taxes	\$ 4,726,000	\$ 5,628,000
Income Taxes	1,985,000	2,364,000
Earnings for the Period	\$ 2,741,000	\$ 3,264,000
Shares Outstanding	3,994,185	3,994,185
Earnings per Share (including gains resulting from copper price fluctuations in 1976 of 12¢)	69¢	82¢

STATEMENT OF CHANGES IN FINANCIAL POSITION

SIX MONTHS ENDED JUNE 30	1976	1975
WORKING CAPITAL PROVIDED BY:		
Earnings for the Period	\$ 2,741,000	\$ 3,264,000
Depreciation	1,609,000	1,407,000
Deferred Income Taxes	600,000	900,000
	\$ 4,950,000	\$ 5,571,000
WORKING CAPITAL USED FOR:		
Investment in Plant and Equipment	\$ 1,206,000	\$ 2,833,000
Dividends	1,438,000	1,438,000
Repayments on Long-term Debt	248,000	476,000
	\$ 2,892,000	\$ 4,747,000
INCREASE IN WORKING CAPITAL	\$ 2,058,000	\$ 824,000
Working Capital at January 1	28,897,000	26,402,000
WORKING CAPITAL AT JUNE 30	\$30,955,000	\$27,226,000

PHILLIPS CABLES LIMITED

HEAD OFFICE
BROCKVILLE, ONTARIO

ANNUAL REPORT

PHILLIPS CABLES LIMITED

AR27

TO THE SHAREHOLDERS:

July 14, 1975

Sales in the first half of 1975 were marginally above the same period in 1974. However, due to the lower copper price prevailing in the current half year, the physical volume of goods shipped was substantially increased. Most of this increase was effected in the second quarter, which, as anticipated, was some 25% higher than first quarter sales.

During the period under review, the price of copper has remained stable at 63.375¢ per lb. and no inventory profit or loss is applicable to the results displayed.

Despite the improvement in sales volume, earnings for the first half-year were 18% below the 1974 figures, primarily due to the following factors:

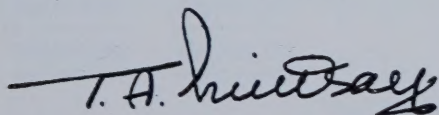
- a) A 9-week loss of production due to a strike at the Sentinel plant of the Company, which materially reduced output of telephone wire and cable;
- b) The start-up costs of the Portage la Prairie plant;
- c) The effects of inflation on operating costs;
- d) A more competitive environment which has depressed selling prices and intensified the cost-price squeeze.

The Company has taken action to endeavour to reduce the impact of rapidly increasing costs by adopting programs designed to improve productivity in existing product lines, and, when necessary, to abandon operations where labour and other costs have made it unprofitable to manufacture the product. As an example, over the past several months, film-coated magnet wire, which consistently failed to show a profit, has been phased out of manufacture and some 50 employees transferred, on a seniority basis, to other operations as vacancies occurred.

Negotiations for a new labour contract at Brockville are presently underway. So far, Management and the bargaining agent for the hourly-paid employees have been unable to reach agreement on a new contract to replace that which expires July 28, 1975, and Conciliation services have been requested. Other than bargaining on a new contract for the office employees at Brockville, which starts July 15, 1975, no further labour negotiations are scheduled for this year.

The backlog of unfilled orders remains at a satisfactory level, and construction across the nation is finally starting to show signs of improvement.

ON BEHALF OF THE BOARD OF DIRECTORS



Chairman and Chief Executive Officer

Printed in Canada



INTERIM REPORT TO SHAREHOLDERS

SIX MONTHS ENDED

JUNE 30, 1975

INTERIM STATEMENTS

(UNAUDITED AND SUBJECT TO YEAR-END ADJUSTMENTS)

STATEMENT OF EARNINGS

SIX MONTHS ENDED JUNE 30	1975	1974
Sales	<u>\$61,199,000</u>	<u>\$59,963,000</u>
Earnings before Income Taxes	\$ 5,628,000	\$ 6,880,000
Income Taxes	<u>2,364,000</u>	<u>2,890,000</u>
Earnings for the Period	<u>\$ 3,264,000</u>	<u>\$ 3,990,000</u>
Shares Outstanding	3,994,185	3,994,175
Earnings per Share	<u>82¢</u>	<u>\$1.00</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SIX MONTHS ENDED JUNE 30	1975	1974
SOURCE OF FUNDS:		
Earnings for the Period	\$ 3,264,000	\$ 3,990,000
Depreciation and Similar Charges	1,407,000	1,085,000
Deferred Income Taxes	<u>900,000</u>	<u>600,000</u>
	<u>\$ 5,571,000</u>	<u>\$ 5,675,000</u>
APPLICATION OF FUNDS:		
Investment in Fixed Assets	\$ 2,833,000	\$ 3,817,000
Dividends	1,438,000	1,298,000
Repayments on Long-term Debt	<u>476,000</u>	<u>419,000</u>
	<u>\$ 4,747,000</u>	<u>\$ 5,534,000</u>
INCREASE IN WORKING CAPITAL	\$ 824,000	\$ 141,000
Working Capital at January 1	<u>26,402,000</u>	<u>28,249,000</u>
WORKING CAPITAL AT JUNE 30	<u>\$27,226,000</u>	<u>\$28,390,000</u>

PHILLIPS CABLES LIMITED

HEAD OFFICE
BROCKVILLE, ONTARIO

ANNUAL REPORT

Year Ended December 31, 1976

FINANCIAL HIGHLIGHTS

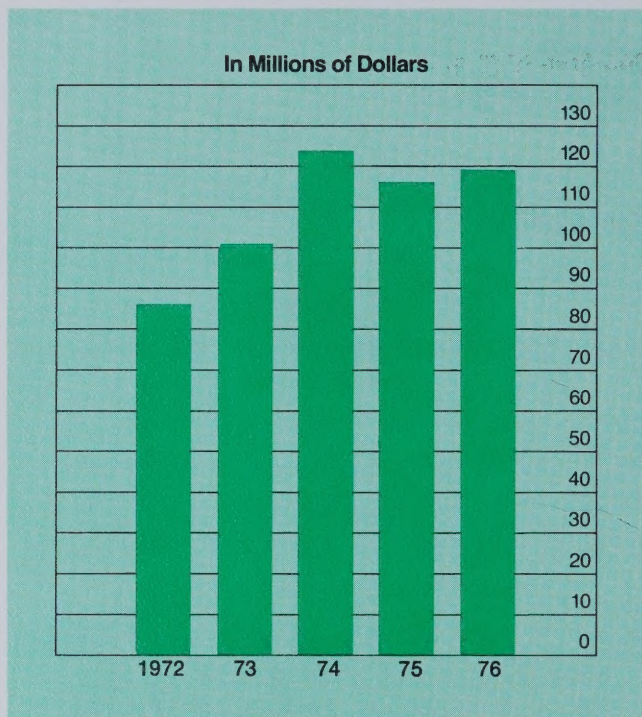
	1976	1975	1974	1973	1972
SALES	\$119,020,000	\$114,851,000	\$123,758,000	\$100,052,000	\$85,168,000
INCOME					
Operating: Before Income Taxes . \$	7,299,000	\$ 10,629,000	\$ 14,413,000	\$ 12,847,000	\$10,052,000
Income Taxes	3,021,000	4,464,000	6,053,000	5,396,000	4,573,000
Operating Income for the Year . .	4,278,000	6,165,000	8,360,000	7,451,000	5,479,000
*Inventory Profits and Losses	226,000	—	(1,370,000)	1,604,000	—
Income for the Year	\$ 4,504,000	\$ 6,165,000	\$ 6,990,000	\$ 9,055,000	\$ 5,479,000
Depreciation Charged	\$ 3,207,000	\$ 2,821,000	\$ 2,195,000	\$ 2,080,000	\$ 1,891,000
Investment in Fixed Assets	2,090,000	5,758,000	8,867,000	4,839,000	2,471,000
Working Capital	\$ 31,643,000	\$ 28,897,000	\$ 26,402,000	\$ 28,249,000	\$23,402,000
Shareholders' Equity	48,185,000	46,756,000	43,467,000	39,572,000	32,956,000
Dividends Declared	3,075,000	2,876,000	3,095,000	2,496,000	1,594,000
Shares Outstanding	3,994,185	3,994,185	3,994,175	3,994,175	3,988,575
EARNINGS PER SHARE:					
Operating	\$1.07	\$1.54	\$2.09	\$1.87	\$1.37
Total	1.13	1.54	1.75	2.27	1.37
DIVIDENDS PAID PER SHARE .	.77	.72	.72	.60	.40
EQUITY PER SHARE	12.06	11.71	10.88	9.91	8.26

* Profits and Losses after income taxes realized on inventory due to fluctuations in the price of copper.

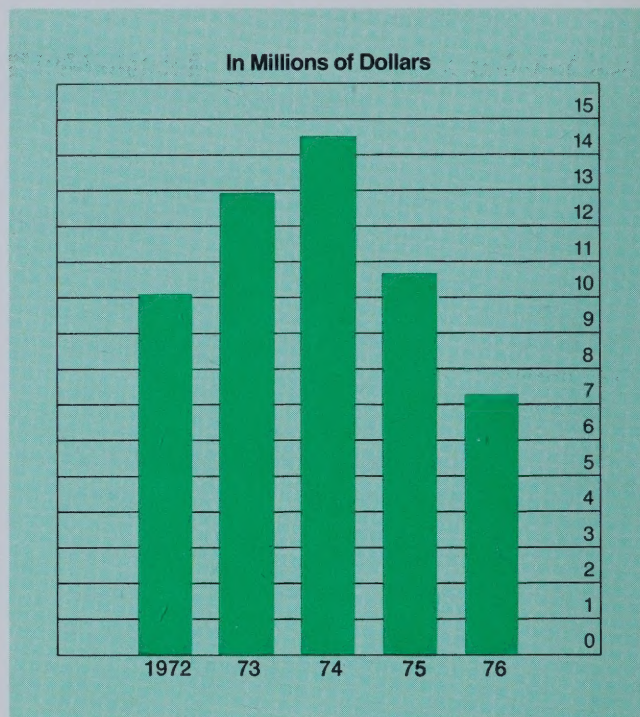
ANNUAL MEETING

The Annual Meeting of the Shareholders will be held at the Skyline Hotel, Stewart Boulevard, Brockville, Ontario, on April 25, 1977 at two-thirty o'clock in the afternoon.

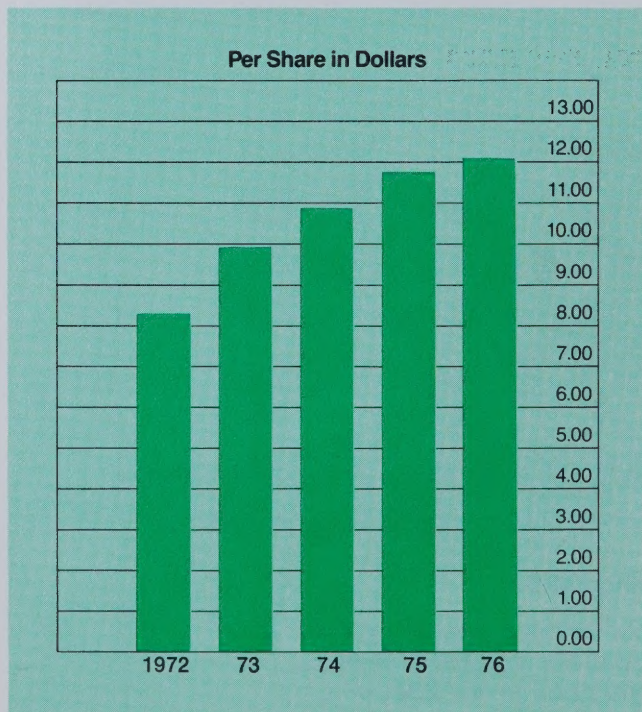
SALES



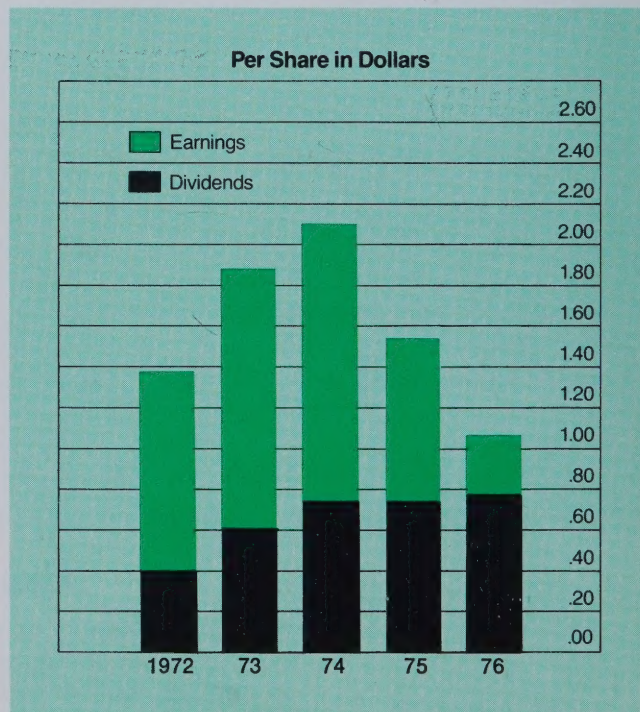
OPERATING INCOME BEFORE INVENTORY PROFITS & LOSSES AND INCOME TAXES



SHAREHOLDERS' EQUITY



OPERATING EARNINGS & DIVIDENDS PAID



REPORT TO THE SHAREHOLDERS

Sales

Wire and cable sales volume declined during 1976 reflecting the weak performance of the Canadian economy, particularly with respect to capital spending. Curtailment of electric utility expansion plans occasioned by general Government restraint was a particularly significant factor in this reduced sales volume. Sales of copper rod were strong during the first nine months of the year and this combined with higher copper prices yielded a 3.6% increase in the total dollar value of sales over the previous year.

Earnings

The Company earned \$1.07 per share from operations during 1976 compared to \$1.54 per share in 1975. The prices paid for material, labour, fuel, and other items continued to increase during the year. At the same time the general slowdown of capital spending, the reduction in electric utility expansion and weak world-wide demand created an excess capacity situation in the Canadian wire and cable industry. The resulting competitive environment prevented the Company from fully recovering inflationary cost increases through increases in selling prices.

The price of copper fluctuated significantly during 1976. At the beginning of the year copper was 63.375¢ per pound and increases in three stages brought this figure to 72.25¢ per pound in July. The price began to decline in the latter part of the year with a 3¢ per pound drop in October and a further 2.125¢ per pound drop in December to close at 67.125¢ per pound. This price activity during the year has resulted in an inventory profit of \$0.06 per share.

Financial

The financial condition of the Company improved during the year despite the decline in earnings. Working capital increased by approximately \$2.7 million with cash and short-term deposit balances increasing by approximately \$3.1 million. The Company currently enjoys the strongest financial position in its history and is well positioned to take advantage of growth opportunities which are anticipated to develop in future years.

The major plant expansions undertaken in 1974 and 1975 are now complete. Investment in new plant and equipment was reduced during 1976 to \$2.1 million from \$5.8 million in 1975. Capital expenditures during the year were used for modernization and cost reduction programs.

Dividends

A special dividend of \$0.05 per share was declared and paid in December, which, combined with the regular quarterly dividend of \$0.18 per share, brought the total dividends paid during 1976 to \$0.77 per share. This compares to a total payment of \$0.72 per share in

1975. The Anti-Inflation Act provides for a limit, as set out in Note 7 to the Financial Statements, on the payment of dividends.

Personnel

During the year labour contracts were negotiated, without incident, in Vancouver, Toronto and Rimouski. Subsequent to the year-end, negotiations were successfully completed in Edmonton. Contracts in Dartmouth, Sentinel, Toronto and Brockville require negotiation in 1977.

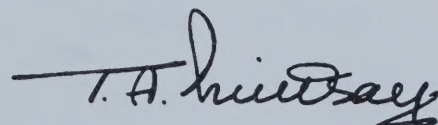
The unfavourable business climate that prevailed during the past year has placed an unusual stress on the management and staff of the Company, and your Directors wish to take this opportunity to express their appreciation for the manner in which all employees responded to the challenge. The continued support of all employees is essential to the future success of the Company.

Outlook

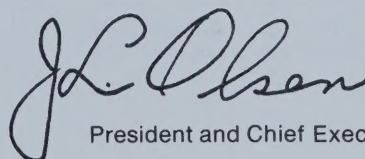
Canadian economic performance in 1976 fell short of expectations; indeed, in the fourth quarter real GNP declined at an annual rate in excess of 2%. Forecasts for 1977 do not suggest a bright picture for the coming year. Growth in GNP is expected to be less than the 1976 4.6% and expectations for business capital spending do not indicate improvement over the year past. The current debate regarding the manner in which the Anti-Inflation controls are to be lifted has added further uncertainty to the business climate.

The difficult year ahead will see increased emphasis, within the Company, on opportunities for productivity improvements and cost reductions. These measures will help to ensure the continued financial strength of the Company.

The extended pause in economic growth does not, however, diminish our confidence in the longer term prospects for industry growth in Canada. We believe that your Company is in a strong position to share in the anticipated growth opportunities.



Chairman



President and Chief Executive Officer

March 9, 1977.

BALAN

AS AT DEC

ASSETS

			1976	1975
Current Assets				
Cash and short-term deposits			\$ 6,529,000	\$ 3,401,000
Accounts receivable			13,099,000	14,379,000
Inventories			25,673,000	25,011,000
Prepaid expenses			219,000	205,000
			45,520,000	42,996,000
Mortgage Receivable			100,000	125,000
Property, Plant and Equipment				
	<u>Cost</u>	<u>Accumulated Depreciation</u>		
Land	\$ 549,000	\$ —	549,000	549,000
Buildings	13,098,000	4,820,000	8,278,000	8,636,000
Machinery	38,091,000	20,821,000	17,270,000	15,754,000
Construction in progress	1,028,000	—	1,028,000	3,347,000
	<u>\$52,766,000</u>	<u>\$25,641,000</u>	27,125,000	28,286,000

Approved by the Board:

T. A. LINDSAY, Director.

GÉRARD GINGRAS, Director.

<u>\$72,745,000</u>	<u>\$71,407,000</u>
----------------------------	----------------------------

SHEET

R 31, 1976

LIABILITIES

	1976	1975
Current Liabilities		
Accounts payable and accrued liabilities	\$ 7,286,000	\$ 8,879,000
Income and other taxes	1,855,000	863,000
Dividend payable	719,000	719,000
Deposits held for returnable containers	4,017,000	3,638,000
	<u>13,877,000</u>	<u>14,099,000</u>
Long-Term Debt (Note 2)	3,600,000	3,932,000
Deferred Income Taxes	7,083,000	6,620,000

SHAREHOLDERS' EQUITY

Capital Stock (Note 3)		
Authorized — 5,000,000 shares without nominal or par value		
Issued — 3,994,185 shares	10,003,000	10,003,000
Retained Earnings	38,182,000	36,519,000
General Reserve	—	234,000
	<u>48,185,000</u>	<u>46,756,000</u>
	<u><u>\$72,745,000</u></u>	<u><u>\$71,407,000</u></u>

PHILLIPS CABLES LIMITED

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1976

	1976	1975
Sales	\$119,020,000	\$114,851,000
Cost of sales, selling and administrative expenses	107,387,000	100,636,000
Depreciation	3,207,000	2,821,000
Interest on long-term debt	215,000	241,000
Remuneration of directors and officers (Note 4)	523,000	524,000
	111,332,000	104,222,000
Income before Income Taxes	7,688,000	10,629,000
Income Taxes	3,184,000	4,464,000
Income for the Year	\$ 4,504,000	\$ 6,165,000
Earnings per Share (including inventory profits in 1976 of \$0.06; 1975 — Nil)	\$1.13	\$1.54

STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1976

	1976	1975
Balance at Beginning of Year	\$ 36,519,000	\$ 33,230,000
Income for the year	4,504,000	6,165,000
Transfer from general reserve	234,000	—
	41,257,000	39,395,000
Dividends	3,075,000	2,876,000
Balance at End of Year	\$ 38,182,000	\$ 36,519,000

PHILLIPS CABLES LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1976

	1976	1975
Working Capital provided by		
Income for the year	\$ 4,504,000	\$ 6,165,000
Transactions not involving working capital		
Depreciation and net book value of assets retired	3,251,000	3,196,000
Deferred income taxes	463,000	2,243,000
Working Capital from operations	8,218,000	11,604,000
Mortgage repayment	25,000	25,000
	<u>8,243,000</u>	<u>11,629,000</u>
Working Capital applied to		
Investment in property, plant and equipment	2,090,000	5,758,000
Dividends	3,075,000	2,876,000
Repayments on long-term debt	332,000	500,000
	<u>5,497,000</u>	<u>9,134,000</u>
Increase in Working Capital	2,746,000	2,495,000
Working Capital at Beginning of Year	28,897,000	26,402,000
Working Capital at End of Year	<u>\$31,643,000</u>	<u>\$28,897,000</u>

AUDITORS' REPORT

To the Shareholders
Phillips Cables Limited

We have examined the balance sheet of Phillips Cables Limited as at December 31, 1976 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Canada
February 4, 1977

THORNE RIDDELL & CO.
Chartered Accountants

PHILLIPS CABLES LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1976

1. ACCOUNTING POLICIES

Inventories

Inventories are valued at the lowest of cost, replacement cost and net realizable value.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. The cost and related accumulated depreciation of items retired are removed from the accounts and any gain or loss is included in income. Depreciation is based on the following straight line composite rates:

Buildings	3%
Machinery	10%

Deferred Income Taxes

Income taxes are charged to income irrespective of timing differences under current tax legislation. The excess of income taxes charged to income over those payable for any year is set aside as deferred income taxes to be drawn upon in future years when tax payments exceed the amount charged to income.

2. LONG-TERM DEBT

	1976	1975
5¾% First Mortgage Sinking Fund Bonds, Series A due February 1, 1985		
Authorized and issued	\$6,500,000	\$6,500,000
Purchased and cancelled	<u>2,900,000</u>	<u>2,600,000</u>
	3,600,000	3,900,000
Other	—	32,000
	<u>\$3,600,000</u>	<u>\$3,932,000</u>

The trust deed provides for sinking fund payments sufficient to retire \$4,700,000 of the Series A Bonds by February 1, 1984. Annual sinking fund payments to that date are \$300,000 and \$600,000 of Series A Bonds have been purchased and cancelled in anticipation of 1977 and 1978 sinking fund requirements.

3. CAPITAL STOCK

Options on 10,690 shares are outstanding exercisable at \$10.20 per share on or before April 30, 1977. Options on 2,000 shares were cancelled during the year.

4. REMUNERATION OF DIRECTORS AND OFFICERS

	1976	1975
Remuneration of directors as directors	\$ 48,000	\$ 44,000
Number of directors	12	11
Remuneration of officers	\$ 475,000	\$ 480,000
Number of officers	12	12
Number of officers who are also directors	5	5

5. PENSION PLANS

The unfunded liability of the employees' pension plans at December 31, 1976 is estimated to be \$3,665,000. It is the intention of the company to amortize this amount over the next fifteen years.

6. COMMITMENTS

Commitments for capital expenditures not provided for in the accounts amount to approximately \$1,269,000.

7. FEDERAL ANTI-INFLATION LEGISLATION

The company is subject to the Anti-Inflation Act which provides, as from October 14, 1975, for the restraint of profit margins, prices, compensation and dividends. The maximum dividend per share that the company can pay or declare in the twelve months ending October 13, 1977 is \$0.77.

PHILLIPS CABLES LIMITED

SALES OFFICES

General Sales Manager A. L. Roy, Scarborough

Atlantic Provinces 51 Mosher Drive, Dartmouth, N.S.

Quebec 265 McArthur St., Ville St. Laurent

Ontario 1673 Carling Ave., Ottawa
King Street West, Brockville
756 Warden Ave., Scarborough
199 Parkdale Ave. N., Hamilton

Western Sales Manager D. R. Oliver, Calgary

Manitoba 1236 Sargent Avenue, Winnipeg

Saskatchewan 511 E. Ross Avenue, Regina

Alberta 14740 - 119th Ave., Edmonton
3411 - 10th St. S.E., Calgary

British Columbia 8312 Prince Edward St., Vancouver

Export Sales Manager T. P. Bohm
King Street West, Brockville, Ontario

FACTORIES

Communication Products

Atlantic Provinces Dartmouth, N.S.

Quebec Rimouski

Manitoba Portage la Prairie

Alberta Edmonton
Sentinel

British Columbia Vancouver

Construction Products

Ontario Scarborough

Power Products

Ontario Brockville

